

# **STATE AND LOCAL FISCAL MODERNIZATION**

## **STUDY COMMISSION**

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*Monday, April 30, 2007  
Room 544, Legislative Office Building  
1:00 p.m.*

- I. Opening Remarks and Approval of Minutes**
- II. Presentation and Discussion of Priority Recommendations and Alternatives – Roby Sawyers**
  - **Broaden the Sales Tax Base and Lower the Sales Tax Rate**
    - Services to include in the sales tax base
    - Include food items in the sales tax base
    - Sales tax rate should be set at an amount that may offset revenue losses from changes in the income tax
  - **Individual Income Tax Changes**
    - Broaden the base by basing NC taxable income on federal AGI, with minimal exclusions and deductions
    - Reduce individual income tax rates
    - Provide for a high enough standard deduction that low income taxpayers are not adversely impacted by the recommended changes
    - Provide for personal and dependency exemptions that vary depending on filing status and taxable income
    - Review of income tax credits
  - **Corporate Income Tax Changes**
    - Require combined reporting
    - Reduce corporate income tax rate respectively
  - **State Assume Responsibility for Nonfederal Share of Medicaid Assistance Program Costs**

- **State Provide Greater Flexibility to Local Governments**
  - **Authorization uniformity**
  - **Review maximum rates for taxes that are authorized for local governments**
- **Provide Funding for Water and Sewer Infrastructure**
- **Eliminate Differential Rates in the Sales Tax Base**
  - **Highway use tax rate applicable to motor vehicles should be the same as the combined general sales tax rate**
  - **Gross receipts tax rate on admissions and amusements should be the same as the combined general sales tax rate**
  - **Highway use tax rate applicable to long-term leases and rentals of motor vehicles should be the same as the combined general sales tax rate**
- **Property Tax Relief**
  - **Give local governments the option of providing property tax deferrals for elderly and fixed income residents**
  - **Require more frequent review of property tax assessments**

**III.     • SB 487/HB 1566: Extend Fiscal Modernization Report Deadline**

**IV.    Adjournment**